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**PUBLIC – REDACTED VERSION**

Joel Gurin  
Chief  
Consumer and Governmental Affairs Bureau  
Federal Communications Commission  
Washington, DC 20554

Ruth Milkman  
Chief  
Wireless Telecommunications Bureau  
Federal Communications Commission  
Washington, DC 20554

Re: **AT&T's Early Contract Termination Policy**

Dear Mr. Gurin and Ms. Milkman:

This is in reply to your January 26, 2010 letter to AT&T. Wireless consumers today face an astonishing array of choices in the vibrantly competitive U.S. mobile ecosystem. Most Americans can choose from at least five facilities-based carriers and almost all consumers can choose from at least three or more.<sup>1</sup> Customers can choose from more than 600 different types of wireless devices from more than 30 different manufacturers, from feature phones used primarily for voice and texting, to “qwerty” devices for heavy texting and email, to smartphones and netbook computers for mobile broadband access.<sup>2</sup> They can pick devices that run on one of more than a half dozen competing operating systems, and choose from tens of thousands of applications from multiple competing “application stores.”

AT&T alone offers customers myriad choices, including services such as voice, texting, multimedia messaging, and mobile broadband access; features like free mobile to mobile calling, unlimited texting, Rollover minutes; and more than 100 different devices, including netbooks, e-readers, and smartphones. AT&T also offers customers a variety of ways to buy devices and

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<sup>1</sup> See Thirteenth Report, *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993; Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services*, 24 FCC Rcd 6185, P. 2 (2009).

<sup>2</sup> See the *United States and World Wireless Markets: Competition and Innovation Are Driving Wireless Value in the U.S.*, at 11 (May 2009) attached to Ex Parte Letter from Christopher Guttman-McCabe, CTIA, to Marlene Dortch, FCC, RM-11361, GN Docket No. 09-51, WC Docket No 07-52 (FCC Filed May 12, 2009).

service. Suppose, for example, a customer wants a 16 GB Apple iPhone 3GS but doesn't want to commit to a two year contract. She could decide to pay the "no commitment" price of \$599.00 and take service on a month to month basis, with no term commitment, and no early termination fee ("ETF"). Or, she could purchase the same device for only \$199.00, a \$400.00 discount, in exchange for a commitment to purchase two years of service from AT&T (with the option to terminate early for a prorated ETF of \$175). AT&T also offers prepaid service with "Pick Your Plan" and "Pay as You Go" options that require no credit check, no contract and no ETF. With the "bring your own phone" option, a customer with a compatible device also can sign up for month to month postpaid service with no contract, no ETF and no device purchase.

Customers clearly understand that they have choices. While the vast majority of AT&T's subscribers choose term commitments and discounted or free handsets, AT&T has millions of month to month and prepaid subscribers. Still, overwhelming consumer demand for such bundled discounts drives carriers to make even highly sophisticated and costly devices like smartphones and netbooks available at steep discounts, even from the moment they are introduced. AT&T's customer-friendly early contract termination policies, which are explained in detail below, are also part of the reason for the popularity of our term commitment options.

AT&T knows that to win and keep customers, we have to offer a broad array of choices that provide the value that consumers demand and customer-friendly policies that assure their satisfaction. We also know that we need to effectively inform consumers of the value we offer. Just as importantly, AT&T understands how crucial it is in the vigorously competitive wireless business to inform customers about their rights and obligations under the various service plans we offer. We recognize that transparency is critical, not only to the effective functioning of competitive markets, but to our own success. By empowering consumers to make the choices that are right for them, we maximize our own chances of success, both in winning and retaining satisfied customers.

Before responding to the specific questions raised in your letter, we would like to provide a bit of background about bundled service offerings, term contracts, and early termination fees. In addition, we would like to highlight some of the many ways in which AT&T discloses the choices available to consumers, including the option to choose term commitments, and the option to terminate chosen term contracts early.

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Since commercial wireless service was first offered in the 1980s, carriers have looked for ways to make wireless service more accessible and affordable. One of the most successful strategies to that end has been to offer customers a discount on the purchase of a handset in exchange for a commitment from the customer to purchase one or two years' worth of service. Indeed, such bundled discounts have undoubtedly played a key role in transforming wireless service in the United States from a luxury available only to a few, to a mass market service with more than 270 million subscribers.

Since term contracts became an alternative to month to month postpaid plans, carriers and resellers have introduced a number of additional, innovative ways to purchase service, including

prepaid plans that allow consumers to pay by the minute or kilobyte, and prepaid plans that offer unlimited voice and text for a flat fee of under \$50 per month. In the case of Amazon's Kindle, consumers obtain a lifetime of wireless internet access for the limited purpose of downloading books, built into the price of the hardware and content.<sup>3</sup> Carriers also introduced features like free nights and weekends, free mobile to mobile service, AT&T's "one rate" national plans that were the first to include roaming and long distance at no additional charge, and AT&T's Rollover Minutes.

As it did in 1983, AT&T still offers month to month postpaid service, with no term commitment and no ETF, and customers are free to bring their own compatible devices to AT&T's network, or purchase a new device from AT&T at the "no commitment" price. AT&T also offers a variety of prepaid service plans, such as "Pick Your Plan" and "Pay as you Go." AT&T's prepaid services require no credit check, no contract, and no ETF.

For those who choose a term commitment, we provide a 30-day trial period during which they may cancel service without incurring an ETF, and each customer typically receives a bill during that thirty day period. Customers have the opportunity during this period to ensure that they are happy with our service and comfortable with our bill.<sup>4</sup> And even after the 30 day trial period runs out, AT&T gives customers the option of paying an ETF instead of completing their contract to term. This option almost always reduces the customer's overall obligation.

Americans have long been familiar with bundled discount offers, term commitments and ETFs. They are a choice that has been available to wireless consumers for more than 20 years -- and one that customers have enthusiastically embraced. In that regard, despite the "no contract/no ETF" choices available to them, the overwhelming majority of AT&T customers choose a term plan arrangement that enables them to obtain a new handset at a discounted price. During 2009, for example, over [BEGIN REDACTION] [END REDACTION] percent of AT&T's new postpaid subscribers chose term plans. Moreover, more than 30 percent AT&T's existing postpaid customers decided to commit to a new term commitment in 2009 to take advantage of an equipment discount.

While term plans with ETFs are thus widely prevalent and enormously popular, the number of customer complaints AT&T has received regarding ETFs over the years is miniscule in comparison with the millions and millions of customers who chose term commitments in exchange for discounts. The meager (and steadily declining) number of complaints from wireless subscribers regarding ETFs indicates that the vast majority of consumers understand what "2 year commitment required" means and make informed decisions when they enter into such a commitment.<sup>5</sup>

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<sup>3</sup> See Comments of AT&T at 10-18, WT Docket No. 09-66 (FCC Filed Sept. 30, 2009).

<sup>4</sup> A customer who cancels service within the first 30 days will have to pay only for the service they have used, but will have no further obligation and will not be assessed an ETF. The customer may be required to return their handset for a refund less a restocking fee. A customer may choose to keep the handset and pay the difference between the discounted handset price they originally paid and the regular retail price of the handset.

<sup>5</sup> Based on the FCC's reported complaints during the first quarters of each year from 2005 through 2009, the complaint rate for the wireless industry in the FCC's category of "Contract-Early Termination" has decreased every

Certainly AT&T is absolutely committed to ensuring that this remains the case. We provide customers with the information they need to make informed choices, both prior to and at the point of sale. Attached are some examples of the many places where we disclose the terms and conditions of our service offerings throughout the process of attracting, winning and caring for our customers.<sup>6</sup>

AT&T starts the process of fully informing consumers before they ever visit an AT&T store. The first “touch” we have with a new customer is likely to be through advertising. Samples of AT&T’s print, online, television and radio advertisements are attached as Exhibit 1. In its advertising, AT&T promotes the advantages we offer over our competition with regard to coverage, quality, throughput and features.<sup>7</sup> In addition, we advertise our service pricing as well as any device promotions. In cases where a consumer may elect an advertised price or promotion only in exchange for a two year service term commitment, we clearly disclose this information.<sup>8</sup> AT&T also discloses its 30 day trial policy, which we believe is the most customer friendly in the industry.<sup>9</sup>

When a prospective customer visits our web site or stops by an AT&T store, AT&T provides more in-depth information. On AT&T’s web site, for example, any offering that includes a two-year commitment is clearly identified as such. In addition, each such offering contains a link to “terms and conditions” which includes a prominent and clear explanation of the applicable ETF. AT&T’s website also states: “Not sure about committing to a long-term contract? Learn about no commitment pricing,” and it includes a link that explains how customers can obtain no-commitment pricing.

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year, with an overall decrease of 72%, from 6.14 to 1.69 per million subscribers (per quarter). This equates to fewer than one in a million monthly.

<sup>6</sup> AT&T has provided two complete sets of Exhibits for this letter. The first, available on CD, is a file titled “AT&T ETF Exhibits.pdf” that is a simple pdf file containing material grouped in accordance with the exhibit numbering in this letter (given the confidentiality request, the filenames also have appended a “PUBLIC\_REDACTED” or “\_CONFIDENTIAL\_UNREDACTED” designation). Page references in this letter are to the confidential, unredacted version of the noninteractive exhibits. The second is a file titled “AT&T ETF Interactive.pdf” that provides the same material in an interactive format with a flowchart that shows the typical progression of a customer through the sales process. Both versions incorporate video and audio files that can be played by clicking on the link in the appropriate page. The interactive version also has thumbnail images of documents that have been attached, and those documents will be launched in a separate window full size if the thumbnail is selected with the mouse.

<sup>7</sup> See, e.g., Exhibit 1C at 24 (advertising unlimited talk and text plan); 25 (advertising features for smartphone users); 26 (showing AT&T national coverage); 28 (advertising 3G availability in local market); 29 (advertising fastest 3G network speeds in local market).

<sup>8</sup> See, generally, Exhibit 1. Due to time constraints in broadcast advertisements, we typically disclose only that the promotional price requires a two year agreement, see, e.g., Exhibit 1, pp. 4, 7, 10, 13, 17, 19, 23. In print advertising where space permits, we also inform the customer that they may terminate the term commitment early and pay an ETF (rather than pay the entire amount owed under the agreement). See Exhibit 1, pp. 25-41 (print advertising disclosure stating “Early Termination Fee: None if cancelled in the first 30 days, but up to \$35 restocking fee may apply to equipment returns; thereafter up to \$175. Some agents impose add’l fees.”).

<sup>9</sup> See, generally, Exhibit 1, pp. 25-41 (print advertising disclosure stating “Early Termination Fee: None if cancelled in the first 30 days.”).

Once a consumer decides to sign up for service on AT&T's web site, the consumer must acknowledge that she understands and agrees to the terms and conditions of AT&T's wireless service agreement before the transaction can be completed. (As noted, the terms and conditions also can be reviewed at any time while shopping in AT&T's online store by clicking on the "wireless service agreement" link.) Sample screen shots of the disclosures on these pages (as well as a copy of AT&T's service agreement)<sup>10</sup> can be found at Exhibit 2.

Similarly, customers who visit AT&T stores (or those of its authorized dealers) can review rate plan brochures that clearly explain not only the rate plans offered with prepaid or postpaid service, but also the early termination policy for those customers who choose term commitments.<sup>11</sup> The stores also clearly display device pricing with both the full retail "no commitment" pricing and the promotional discount pricing (that requires a term commitment). Store representatives are trained to explain the "bring your own phone" and "no commitment" month to month postpaid options, as well as prepaid and bundled discount options.<sup>12</sup>

The information AT&T discloses in its marketing materials regarding term commitments and the early termination option is reinforced when a customer decides to purchase service at an AT&T store or authorized dealer. First, AT&T ensures that the consumer has the opportunity to review and acknowledge the terms of service in the wireless service agreement—subscribers must acknowledge that they understand and agree to the terms before they can activate service. In addition, at the point of sale, AT&T provides a Customer Service Summary ("CSS"). Based on the customer's projected usage patterns and preferred rate plan, the CSS gives the customer a summary of her rate plan, the key terms and conditions, including any applicable term commitment and early termination fee, the 30 day, "no questions asked" cancellation policy, and a realistic, itemized estimate of her first bill.<sup>13</sup>

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<sup>10</sup> See Exhibit 2C, pp. 129-152.

<sup>11</sup> See Exhibit 3A, p. 63 (rate plan description stating "[a]n early terminatino fee of \$175 applies if service is terminated before he end of the contract term"); 68 (rate plan description stating "[a]n Early Termination Fee of \$175 may be assessed against you in the event that you terminate your Wireless Service Agreement and/or selected plan before the expiration of its term"); 70 (rate plan description stating "[a]n early termination fee of \$175 applies if service is terminated before the end of the contract term"); 74 (rate plan description stating "[a]n Early Termination Fee of \$175 may be assess against you in the event that you terminate your Wireless Service Agreement and/or selected plan before the expiration of its term"). See also Exhibit 3B, pp. 75-128 (price cards showing price "[w]ith 2-year contract on voice plan" and price with "no commitment").

<sup>12</sup> See Exhibit 4A, 4B, pp. 158-167. Visitors to AT&T's online store also are informed about the "no commitment pricing" and "bring your own phone" options. See Exhibit 2C, p. 58. At this time, however, only existing subscribers can take advantage of the month-to-month post paid option online. New subscribers can purchase prepaid service online (which requires no contract) or purchase bundled discount plans in exchange for a term commitment. New online subscribers interested in month to month postpaid service are directed to the nearest AT&T store. *Id.*

<sup>13</sup> See Exhibit 3D, pp. 153-155 (example CSS); p. 154 (acknowledgment signature capture device). AT&T also allows customers to order devices and service by telephone. For consumers who prefer to purchase service over the phone, AT&T provides a recorded disclosure at the "point of sale." See Exhibit 3D. The customer also will receive a CSS and a copy of the terms and conditions by email or postal mail, depending on the customer's preference. . The customer is not required to commit to a term agreement until, after an opportunity to review the CSS and terms,

As noted, all customers have the right to cancel service during the first 30 days (during which they typically receive their first bill) with no further obligation. In addition, customers can change rate plans at any time with no fees and without extending the terms of their contracts. And, of course, should a customer decide, after the first 30 days, that she would prefer to cancel, she can exercise the early termination option and reduce the amount she otherwise would owe under the agreement.

AT&T also trains its customer care representatives to provide accurate and complete information to customers who call with questions about the 30-day trial period or the ETF.<sup>14</sup> In addition, should a customer elect the early termination option, the ETF will be clearly itemized on her final bill.<sup>15</sup>

As you requested, we have attached examples of advertising and marketing materials in which AT&T discloses the options for wireless service it makes available to consumers, including the early termination option for the term contracts.<sup>16</sup> Examples of AT&T's advertising are attached as Exhibit 1. Sample screen shots and relevant links from AT&T's website are included in Exhibit 2. Point of sale brochures and other examples of marketing collateral and in-store merchandising with relevant disclosures are included in Exhibit 3. Sales scripts and customer care training materials and scripts are included in Exhibit 4. Examples of monthly bills displaying ETF charges and explanations are included in Exhibit 5.

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With that background, AT&T now answers the questions set forth in the Bureau's January 26 letter.

**1. Do your ETF's apply to all service plans or only some? If so, which ones?**

ETF's only apply in cases where a customer chooses a term commitment. The early termination option does not apply to pre-paid service plans and month to month postpaid service options.

**2. What is the amount of the ETF for each service plan where ETFs apply? If there are different ETFs for different plans, what is the rationale for those differences?**

AT&T's ETF is \$175 for all term agreements. This fee is prorated, with a reduction of \$5 per month.<sup>17</sup>

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they agree to the terms and activate the device. Like all others who commit to a term contract, they have the right to cancel within 30 days under AT&T's trial policy explained above.

<sup>14</sup> See Exhibit 4A, 4B, pp. 158-167.

<sup>15</sup> See Exhibit 5, p. 199.

<sup>16</sup> AT&T's response in this letter is limited to wireless service plans it offers to consumers.

<sup>17</sup> AT&T began to prorate the ETF in all agreements entered into after May 25, 2008. The ETF in term agreements entered into prior to that date are not prorated. Depending on the rate plan chosen by the consumer, it might be less

**3. How much of a discount on handset purchase is given in return for a consumer accepting an ETF? Does the amount of the discount differ by device, and if so, how?**

Consumers are typically offered discounts on devices or free devices for agreeing to a two-year term plan. The amount of the discount varies by device and may vary over time even for the same device, depending on whether the device is the subject of a promotion and where it is in its lifecycle. The ETF does not vary based on the amount of the discount.

**4. Does the ETF itself vary by device (e.g., higher ETF's for advanced devices)? If higher ETF's apply to a certain class of devices, exactly how is that class defined?**

The amount of the ETF (and the proration schedule) is the same in any consumer contract involving a term commitment, regardless of the equipment purchased, the amount of any bundled discount or the rate plan chosen.

**5. Is it possible for consumers to buy a handset from you at full price to avoid an ETF? If this is possible, can consumers buy unsubsidized handsets online, as well as at brick-and-mortar stores?**

Yes. Consumers may purchase a handset for the “no commitment” price and purchase postpaid service on a month to month basis with no term commitment. Alternatively, consumers may bring their own compatible handset and sign up for postpaid service on a month to month, no term commitment basis. In 2009, [BEGIN REDACTION] [END REDACTION] percent of new postpaid AT&T subscribers chose to purchase postpaid service on a month to month basis with no term commitment. Consumers also can purchase devices with prepaid service, with no term commitment. AT&T offers both prepaid and postpaid options in over 15,000 locations across the country. More than 35,000 additional locations offer AT&T prepaid options.<sup>18</sup>

Consumers currently may obtain prepaid service, with no term commitment, online. Existing customers also can purchase equipment at the “no commitment” price online without extending or renewing any term commitment. New online customers who wish to take advantage of the “no commitment” option for post-paid service are directed to a nearby AT&T store.<sup>19</sup>

**6. Do monthly service rates and terms differ: (1) between customers who assume a term commitment and accept an ETF, and those who don't, and (2) between customers who purchase an unsubsidized device (either from your company or a third party), and those who purchase a subsidized device? If so, how do they**

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expensive, in the last month or two of a term, to simply pay for the remaining service they have promised to buy, rather than exercise their option to terminate early.

<sup>18</sup> AT&T prepaid airtime is available at close to 300,000 additional locations.

<sup>19</sup> See Exhibit 2C, p. 58.

**differ, and what is the rationale for the difference? Can customers easily determine the impacts of their decisions and their rates and terms?**

AT&T's rate plans for post-paid service are the same, whether the customer opts for a month to month term (with the "bring your own device" option or the "no commitment" option) or chooses a term commitment in connection with a bundled device discount. The benefit the customer obtains in exchange for making a service term commitment is reflected in the equipment discount, not in the price of the rate plan. Pre-paid service plan rates differ from the postpaid rates. Customers should easily be able to determine the impacts of their decisions based on the clear disclosures we provide.

**7. Are ETF's prorated so that the customer's liability decreases over time? If so, what is the exact schedule by which they are prorated?**

Yes, AT&T's ETF of \$175 is reduced by \$5 each month.

**8. If a customer renews his or her contract without buying a new handset, does his or her monthly service fee change in any way?**

If a customer wishes to continue service after completing her term commitment, there is no need to enter into a new term commitment or renewal. The customer may simply elect to continue to receive service on a month to month basis on the same rate plan, and may cancel thereafter at any time with no further obligation.

A customer may also elect to obtain a new discounted device and agree to a new term commitment. That vast majority of our customers choose this option in order to obtain a discounted new device.

**9. How long is the trial period during which consumers can cancel their service without an ETF penalty? If they cancel, can they return the handset? If they return it, will they receive a full refund, no refund, or a refund minus a restocking and/or refurbishing fee?**

AT&T was the first in the industry to adopt a 30 day trial period. All customers have the right during the first 30 days of service to cancel service for any reason with no further contractual obligation. They pay only for the service they actually used during the trial period. If they cancel during the trial period, they generally are required to return the handset, and when they do, they will receive a full refund less a restocking fee. They also may choose to keep the handset, and pay the difference between the discounted handset price they originally paid and the regular retail price of the handset.

**10. When do customers receive their first bill under your service plans? How does the trial period relate, if at all, to the receipt of the first bill?**



AT&T customers generally receive their first bill within 8-13 days of their activation dates, well within the 30 day trial period, which allows them time to determine whether they wish to fulfill their contractual obligations or cancel service with no further obligation.

**11. Are there consumer fees or charges in addition to ETFs if consumers buy handsets and/or service plans from online phone dealers, such as Amazon, Let'sTalk, and Simplexity (d/b/a Wirefly), or from a service provider, if a customer does not complete the contract term? If so, what are they, and what are their levels, terms, and conditions? Do the fees or charges affect ETFs, and if so, how?**

AT&T does not charge any fees other than the ETF for consumers who terminate contracts prior to the end of a term commitment. In addition, because AT&T's agents (or "dealers," as they are often called) sell service on AT&T's behalf on terms and conditions specified by AT&T, these agents are not authorized to impose any fees with respect to AT&T's service other than those authorized by AT&T. AT&T does not authorize these agents to charge any service fee other than an ETF for customers who do not complete a contract term. AT&T pays its dealers commissions for the sale of wireless service.

Dealers are not, however, AT&T's agents for purposes of retailing handsets. Each dealer purchases handsets at wholesale rates from AT&T and/or others and sells them to consumers at retail prices and on terms the dealer establishes. In order to meet competition, most AT&T dealers discount the handsets they sell, often below their costs, as an inducement to get customers to sign up for wireless service.

We are aware that some dealers, including some AT&T dealers, require customers who purchase discounted handsets to pay a fee if they cancel service prior to the end of six months. We understand that these fees are disclosed by the retailer to its equipment purchaser.<sup>20</sup> We understand that the purpose of the fee is to compensate the dealer in cases where the customer's cancellation of service causes the dealer to lose its commission on the sale of wireless service. AT&T is not aware of any recent customer complaints regarding such fees.

**12. Press reports and public statements from wireless companies have attributed ETFs to several different factors. What is the rationale for your ETF(s), and how specifically do the structure and level of those ETF(s) relate to that rationale.**

AT&T's ETF is designed to provide customers who choose term commitments a way to reduce their contractual obligations. It is a substitute contract performance, an alternative (and less expensive) way for a customer to fulfill his obligation under the contract. The structure and level of the ETF is designed to be simple and competitive.

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<sup>20</sup> See Exhibit 6A, p. 208 (describing Amazon.com "Instant Discount Policy"); Exhibit 6B, pp. 242, 244 (describing LetsTalk.com's discounting policy and disclosure on deactivation of service); Exhibit 6C, pp. 260 (disclosure on deactivating service), 274 (description of "Instant Discount").

The phenomenon of term agreements with ETFs can be attributed to many factors. First, for many consumers, the high retail cost of wireless equipment would make wireless service unaffordable. Second, wireless providers value the predictability of term commitments. This predictability helps carriers plan and manage networks. Term commitments also provide a predictable revenue stream that helps fund capital investment. In the aggregate, term commitments also allow carriers to reduce the price of service to all subscribers because they reduce carriers' acquisition and retention costs and increase the number of users on the network, allowing carriers to reduce operating costs through economies of scale. ETFs make this bargain—bundled discounts in exchange for term commitments--more efficient by giving consumers an option to reduce their contractual obligations while providing carriers with enough predictability to make it reasonable to discount device prices in exchange for a service commitment.

The Commission has long understood these public interest benefits. In its 1992 *Cellular Bundling Order*, the Commission found that “the high price of [mobile phones] represents the greatest barrier to inducing subscription to cellular service.”<sup>21</sup> It decided that bundling handsets with CMRS service – that is, offering handsets at a reduced price “bundled” with service subscriptions would be an efficient means of reducing this barrier.<sup>22</sup> The Commission also predicted that the influx of new customers in response to bundled offerings would: (1) create economies of scale and lower the cost of providing service to each subscriber; (2) promote the efficient use of CMRS spectrum; (3) further universal availability and affordability of mobile telephone service; and (4) facilitate the conversion from analog to digital transmission.<sup>23</sup> Each of these predictions has come to pass.

Today, the availability of bundled offers -- term commitments in exchange for equipment discounts -- has continued to drive down the price most consumers pay to obtain the increasingly sophisticated devices they use to communicate. Just as bundled offers reduced the cost of upgrading from analog to digital equipment in the 1990's, such bundled discounts now allow consumers to obtain mobile broadband access devices, such as netbooks and smartphones for under \$100. Today, bundled offers are increasing mobile broadband accessibility and adoption just as they put cellular telephone service within reach for millions of consumers when they were first introduced more than two decades ago.

AT&T realizes that term commitments are not for everyone. Since it began to offer wireless service in 1983, AT&T has always offered month-to-month, no term contract service options. In 1996, AT&T began to offer pre-paid service as well. Still, after more than two decades of bundled offers, not only are consumers familiar with bundled offers (with ETFs), they overwhelmingly prefer them.<sup>24</sup> Thus, the rationale for AT&T's bundled offers is that customers

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<sup>21</sup> *Bundling of Cellular Customer Premises Equipment and Cellular Service*, CC Docket No. 91-34, Report and Order, 7 FCC Rcd 4028, ¶ 19 (1992) (“*Cellular Bundling Order*”).

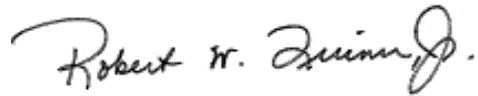
<sup>22</sup> *Cellular Bundling Order* ¶ 19.

<sup>23</sup> *Cellular Bundling Order* ¶ 20.

<sup>24</sup> During 2009, for example, [BEGIN REDACTION] [END REDACTION] % of AT&T's branded subscriber additions were prepaid. Among those who opted for post-paid service, [BEGIN REDACTION] [END

demand them. And as the Commission has found, this bundling has powerful public interest benefits. It makes obtaining wireless service more affordable by reducing the price of equipment, it lowers costs for wireless service providers (which in the vigorously competitive wireless market results in lower service prices for all wireless users), and it speeds the adoption of innovative new technologies like mobile broadband.

Sincerely,

A handwritten signature in black ink, reading "Robert W. Quinn, Jr." with a stylized flourish at the end.

Robert W. Quinn, Jr., Esq.  
Senior Vice President—Federal Regulatory  
AT&T Services, Inc.

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REDACTION] % chose a month to month service option. While this shows consumers are well aware of the “no contract/no ETF” options AT&T offers, and that significant numbers of consumers may prefer them, over [BEGIN REDACTION] [END REDACTION] % of AT&T’s post-paid gross subscriber additions in 2009 chose to purchase one or two years of service in exchange for a bundled discount.